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25 MAY 1959

MEMORANDUM FOR THE RECORD

**SUBJECT: Senate Preparedness Investigating Subcommittee
Hearings for the Bureau of the Budget**

1. On 20 May 1959 the Preparedness Investigating Subcommittee, Senate Armed Services Committee, commenced hearings to determine the part played by the Bureau of the Budget in establishing the budget submission by the Department of Defense.

2. Senator Lyndon B. Johnson (D., Tex.), Chairman of the Subcommittee, was present for about half of the day's hearings and in his absence Senator John Stennis (D., Miss.) chaired. Present for the Bureau of the Budget were Mr. Maurice H. Stans, Director; Mr. William F. Schaub, Chief, Military Division; Mr. William F. Finan, Assistant Director for Management and Operations; and Mr. Ellis H. Veatch, Military Division.

3. Senator Johnson stated the purpose of the hearings to be the determination whether military expenses were curtailed by nonmilitary considerations. He requested Mr. Stans to describe the part played by the Bureau of the Budget in the Department of Defense's budget development. Mr. Stans pointed out that the Bureau of the Budget performed a staff function for the President in reviewing and assisting in the preparation of all budgets of the Executive branch. He pointed out that there was a difference between the handling of the Department of Defense's budgets and all other Executive budgets inasmuch as with all civilian agencies the Bureau of the Budget set a dollar limitation on the budgets and the agencies' recourse would be an appeal to the President. With the Department of Defense, however, Mr. Stans said the established practice was for the Bureau of the Budget to question

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and challenge proposals of the Department of Defense and bring their questions and recommendations to the Secretary of Defense, but that in the event of differences where the Secretary of Defense had made his determination it was up to the Bureau of the Budget to make any appeal to the President. As an example, Mr. Stans pointed out that he had questioned the addition of another carrier in the 1960 budget, that the Secretary of Defense had determined that the carrier should be included and that when Mr. Stans appealed this to the President the President had confirmed the decision of the Secretary of Defense.

4. Mr. Stans said he had a Military Division under Mr. Schaub with 32 professionals on the staff, that they started discussions in May of each year for the year beginning 14 months later, and called for Department of Defense submissions by 30 September. The discussions on the various points taken up continue through October and maybe into November, and normally the budget is settled early in December.

5. Mr. Edwin Weisl, Sr., counsel for the Subcommittee, stated that they had had information given them that the Bureau of the Budget's review was a "vertical review" of the individual defense agencies. Mr. Stans said this was not correct and that their review was a functional review across the whole area of the Department of Defense and was primarily conducted in coordination with the Secretary of Defense's office not specifically with the individual services, although, of course, individual questions might be responded to by the services through the Secretary of Defense.

6. Mr. Stans was asked what information was available to him to raise questions in the defense programs, and he stated that he normally had to request reports on defense programs but that they were reviewed in the light of intelligence estimates which were available to the Bureau of the Budget. Mr. Schaub said the information was requested on a need-to-know basis. Mr. Weisl asked how the Bureau could be sure it had adequate information if it did not have ready access to all reports and might not know of the existence of some reports. Mr. Stans said he felt that sufficient information was furnished him by the Department of Defense at his request to enable him to perform a satisfactory review and raise questions on a reasonably informed basis. Mr. Weisl said he could not see how the Bureau could be sure of this.

7. Senator Johnson asked if the Bureau of the Budget set a dollar limitation on Defense's budget or took its position on the budget on the basis of the needs of the Department of Defense.

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Mr. Stans said that the Bureau does not set a ceiling and in no way interferes or tries to affect strategic planning. He said the Bureau's job is to see to the most efficient and effective expenditure of funds in support of a defense program deemed adequate by the Secretary of Defense and the President. He said he might question the need to perform certain tasks and raise questions as to priorities, speed of action, and questions of investment of funds. Thus, when the Secretary of Defense submitted a budget for 1960 in excess of \$41,000,000,000, the Bureau of the Budget questioned whether it could not be less but that the Bureau could not make any decision in this regard. It performs a fact finding and recommending function for the President.

8. Senator Stuart Symington (D., Mo.) proposed the question that since the Bureau of the Budget had no guarantee of getting detailed information on all programs, could it do anything but recommend purely on a dollar basis. Mr. Stans said the Bureau merely tried to make sure that the Department of Defense got what it needed with the fewest number of dollars.

9. The questioning then turned to the apportionment procedure. Mr. Stans pointed out that he was required by law to approve the apportioning of funds and that such approval required justification. In the case of the Department of Defense he said that Bureau of the Budget did not withhold apportionment on requests from the Secretary of Defense. The Bureau might raise questions and propose that apportionment in some cases be delayed for certain purposes or withheld until a more appropriate time, but if the Secretary of Defense determined he needed the funds they would be apportioned.

10. Senator Margaret Chase Smith (R., Maine) brought up several instances which had been reported to her where funds had not been made available for activities approved by the Congress. Mr. Stans said the Bureau might have raised questions in connection with these items, but that the decision to withhold the funds would be made by the Secretary of Defense.

11. Senator Stennis mentioned that the Army had requested funds to modernize weapons and was granted an appropriation for acquisition of 7.62 rifles and machine guns. He said he understood that these funds had been withheld by the Bureau. Mr. Stans said he had queried whether the Army would in this manner achieve a sufficient degree of modernization or whether the same funds could effect more modernization by being put into other programs.

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Mr. Stans said eventually the funds were released to the Department of Defense.

12. Mr. Weisl said he understood that funds made available for a general procurement program had been withheld by the Bureau of the Budget. Mr. Stans said the great majority of these funds had been released, that a portion of them had been released to the Secretary of Defense but at the Secretary's suggestion would be held by him until certain conditions were made before obligation, and that a further portion had been withheld by the Bureau with the agreement of the Secretary of Defense until further justification were forthcoming.

13. In connection with the missile program, Mr. Stans said he had raised certain questions in connection with the Atlas, Titan, and Minute Man programs in an effort to ascertain whether it was necessary for all three to go ahead at the planned level or whether certain alternative combinations would be preferable. He stated the decision in this case was that of the Secretary of Defense.

14. Mr. Stans was asked what control he exercised over funds after they were apportioned and he stated the Secretary of Defense can reprogram within appropriations, as for instance between the Nike-Hercules program and the 7.62 rifle program but could not between Army and Navy appropriations. Mr. Stans was asked if the Bureau of the Budget followed up to check on whether their recommendations were followed and whether funds were effectively expended, and he stated that this was not the function of the Bureau.

15. The meeting adjourned and Mr. Johnson said they wished to pursue the questioning of Mr. Stans in about a week.

ALLOTTED

LAWRENCE R. HOUSTON
General Counsel

cc: IG
DD/S
Comptroller
Legislative Counsel
Air Force L&L (Col. Knight)

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